

## Message Text

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ACTION PM-04

INFO OCT-01 ARA-06 ISO-00 NSC-05 SP-02 SS-15 CIAE-00

INR-07 NSAE-00 OMB-01 AID-05 IGA-02 MC-02 L-03 H-02

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FM AMEMBASSY LA PAZ

TO SECDEF WASHINGTON DC

INFO SECSTATE WASHINGTON DC 1464

US DEPT OF TREASURY WASHINGTON DC

USCINCSO

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E.O. 11652: N/A

TAGS: MASS, BL

SUBJECT: FY 1976 FMS CREDIT WITH BOLIVIA

REF: SECDEF 030005Z JUL 76

1. WE APPRECIATE EXTENSION TO JULY 15 AND WILL ENDEAVOR TO HAVE GOB MEET IT BUT WE ARE NOT OPTIMISTIC GOB CAN CLEAR ARREARAGE AND SIGN BY THEN. WE SUGGEST JULY 31 AS BEST POSSIBLE DATE GIVEN NEED FOR COMPLICATED INTERNAL GOB DECISION-MAKING PROCESSES TO BE COMPLETED AND TO PERMIT ELEMENTS WHO UNDERSTAND ISSUES AND WISH TO COOPERATE TO OVERCOME LETHARGY OR LACK OF COMPREHENSION OF OTHERS IN THE MILITARY.

2. IN JULY 2 MEETING PRESIDENT BANZER TOLD ME FOLLOWING RE FMS CREDITS:

(A) HE WISHES TO USE EXTERNAL MILITARY CREDITS FOR PRODUCTIVE PURPOSES, INCOME EARNING IF AT ALL POSSIBLE.

(B) HE WILL DEFER DECISION ON ARTILLERY UNTIL WE PROVIDE COST ESTIMATES. (DOC/ISA TOLD ME RECENTLY THESE WOULD BE READY AUGUST 1.) HE IS NOT ENTHUSIASTIC ABOUT BUYING ARTILLERY BUT WILL PROBABLY GO ALONG WITH A FEW. HE WOULD PREFER USED

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ARTILLERY, IF AVAILABLE, TO REDUCE FINANCIAL BURDEN FOR NON-

PRODUCTIVE PURCHASES.

(C) HE DOES NOT APPROVE PURCHASE OF TANKS. PRESIDENT SAID HE IS PERHAPS BOLIVIA'S MOST KNOWLEDGEABLE OFFICER ON TANKS AND WHILE HE KNOWS AND LIKES THE M48 HE IS CONVINCED THAT IT IS INAPPROPRIATE FOR BOLIVIA. HE SAID THAT IT IS TOO HEAVEY FOR ALMOST EVERY BRIDGE IN THE COUNTRY.

(D) BOLIVIA WILL NOT USE THE FY76 \$9 MILLION FOR HOSPITAL EQUIPMENT FOR THE MILITARY HOSPITAL BECAUSE THE REPAYMENT TERMS ARE TOO HARD FOR THAT INSTITUTION TO REPAY. HE SAID THAT HE HAS WORKED OUT AN APPROACH FOR IDB LENDING WITH THE CONCURRENCE OF LIC. ORTIZ MENA, PRESIDENT OF IDB. THE MILITARY HOSPITAL WILL BE TRANSFORMED EFFECTIVELY IF NOT IN NAME TO A CIVILIAN ENTITY SERVING 75 PERCENT CIVILIANS AND 25 PERCENT MILITARY. A COMMITTEE COMPRISED OF THE MINISTRY OF PUBLIC HEALTH, THE NATIONAL SOCIAL SECURITY SERVICE, AND THE ARMED FORCES SOCIAL SECURITY COMMISSION HAS BEEN FORMED, UNDER THE LEADERSHIP OF THE PUBLIC HEALTH MINISTRY, TO PREPARE AN IDB LOAN APPLICATION.

(E) THE GOB MAY WISH TO USE THE FY76 \$9 MILLION FOR THE PURCHASE OF A C-130 OR IN COMBINATION WITH LOCKHEED'S OWN FINANCING (OR FY77 FMS CREDITS) TO ACQUIRE TWO NEW C-130'S. PRESIDENT SAID HE WANTED FIRST TO OBTAIN A FIRM COMMITMENT FROM THE BOLIVIAN AIR FORCE THAT IT WILL REPAY THE CREDIT AND ALSO ASSURE HIMSELF THAT THE FAB CAN MAKE GOOD ON ITS COMMITMENT. HE SAID HE DID NOT WANT ANOTHER BILL COMING IN SUCH AS THE \$205,000 ARREARAGE WE ARE REQUESTING BE PAID.

3. IN REGARD TO THE ARREARAGE, THE MINISTER OF INTERIOR, AIR FORCE COLONEL JEAN PEREDA ASBUN, WHO WAS PRESENT FOR THIS DISCUSSION WHICH FOLLOWED A TALK ON NARCOTICS MATTERS, SAID HE HAD RECENTLY TALKED WITH GENERAL GARCIA, COMMANDER OF THE FAB. ACCORDING TO PEREDA, FAB HAS FUNDS AVAILABLE AND IS ABOUT TO PAY US. HE THEN MADE A STRONG PITCH TO THE PRESIDENT TO USE FMS CREDITS FOR C-130 AIRCRAFT. PEREDA SAID THE FAB HAS STUDIES SHOWING THAT THE AIRCRAFT WOULD EARN PROFITS HAULING MEAT, PROVIDING AIRLIFT SERVICES, AND ENGAGING IN FOREIGN TRADE. THE PRESIDENT INDICATED THAT HE WOULD SERIOUSLY CONSIDER AUTHORIZING THE SIGNING OF THE CREDIT PROVIDED HE WAS CONVINCED OF THE FAB'S ABILITY AND WILLINGNESS TO REPAY THE CREDIT.

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4. SINCE I DID NOT KNOW ABOUT THE JULY 15 DATE WHEN I SAW THE PRESIDENT, I TOLD HIM THAT THE JUNE 30 DATE FOR SIGNING THE NEW CREDIT BASED ON PAYING THE \$205,000 ARREARAGE HAD BEEN EXTENDED FOR A FEW DAYS SO THAT GOB DECISION AND ACTION WERE URGENT. HE PROMISED TO HAVE THE MATTER RESOLVED AS SOON AS HE CAN. I SUSPECT WE ARE NOW IN FOR SEVERAL DAYS OF INTERNAL GOB DISCUSSION BY KEY GOB OFFICIALS WHO DO HAVE MANY OTHER VITAL MATTERS TO DEAL WITH. HENCE THE JULY 15 DATE PROBABLY DOES NOT PROVIDE ENOUGH TIME.

5. FOR THE RECORD, I WANT TO NOTE THAT I TOLD PRESIDENT BANZER THAT THE US WAS NOT PRESSING NEW FMS CREDITS ON BOLIVIA. I SAID THAT WE HAD REQUESTED NEW CREDITS FOR THEM. THE DECISION TO ACCEPT THEM AND HOW TO USE THEM WAS UP TO THE GOB. I THE GOB WERE TO DECIDE NOT TO TAKE ON NEW FMS CREDITS, THAT WAS A SOVERIGN DECISION AND WOULD NOT ALTER THE CHARACTER OF OUR BILATERAL RELATIONS. BOTH THE PRESIDENT AND THE INTERIOR MINISTER HASTENED TO ASSURE ME THAT THE GOB WAS KEENLY INTERESTED IN FMS CREDITS BUT THE PRESIDENT REPEATED HIS RESPONSIBLE AND RESPECTABLE POSITION THAT HE MUST ENSURE ABILITY TO REPAY ON TIME AND THAT FOREIGN CREDITS BE DEDICATED TO PRODUCTIVE PURPOSES. HE SAID THAT SINCE BOLIVIA HAS NO BELLICOSE OBJECTIVES, IT HAS NO NEED TO BUILD UP A WAR MACHINE WITH SOPHISTICATED OR HEAVY EQUIPMENT.

6. BASED ON THE PRESIDENT'S STATEMENTS WE REQUEST THAT:  
(A) DOD PROVIDE US ASAP COST AND AVAILABILITY DATE ON HOWITZERS TO FACILITATE GOB DECISION ON FY 75 FMS CREDIT OF \$4 MILLION;  
(B) EXTEND TO JULY 31 DATE FOR PAYMENT OF ARREARAGE AND SIGNING FY 76 FMS CREDIT OF \$9 MILLION;  
(C) STATE AND TREASURY DEPARTMENTS BE RECEPTIVE TO GOB PROPOSAL FOR IDB FINANCING OF HOSPITAL EQUIPMENT.  
STEDMAN

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